

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 STR-07 STRE-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 /126 W
-----071773 111624Z /43

P 111602Z MAY 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 7373
INFO USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 02 OTTAWA 02406

GENEVA ALSO FOR USMTN

DEPT. PASS USDA/FAS AND STR

E.O. 11652: N/A
TAGS: EAGR, ETRD, CA
SUBJECT: DE MARCHE ON CANADIAN RESTRUCTURING OF FRUIT
AND VEGETABLE TARIFFS

REF: STATE 113819

1. SUMMARY. AIDE MEMOIRE (REFTEL) DELIVERED TO SENIOR
EXTAFF OFFICIAL MAY 9. REACTION TO REQUEST FOR EXCLUSIONS
WAS COOL. GOC SEES NO OBLIGATION TO MAKE MORE SPECIFIC
RESPONSE OUTSIDE COMING GATT ARTICLE XXVIII NEGOTIATIONS.
IF, AS EMBASSY UNDERSTANDS, U.S. PRIORITIES FOR EXCLUSION
INCLUDE ONLY PORTION OF REQUEST MADE IN AIDE MEMOIRE, WE
REQUEST AUTHORIZATION FOR AMBASSADOR TO DISCUSS U.S.
OBJECTIVES MORE SPECIFICALLY WITH MINISTER OF INDUSTRY,
TRADE AND COMMERCE AT EARLY DATE. END SUMMARY.

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2. TO DELIVER AIDE MEMOIRE ON FRUIT AND VEGETABLE TARIFFS
PROVIDED REFTEL, ECON COUNSELOR CALLED ON EXTAFF ASSISTANT
UNDER SECRETARY MCPHAIL MAY 9 AND MADE FOLLOWING POINTS
ORALLY:

--IF FULLY IMPLEMENTED,CANADIAN TARIFF BOARD RECOMMENDA-
TION ON FRUIT AND VEGETABLE TARIFFS WOULD AFFECT NEARLY

ONE-THIRD OF VALUE OF U.S. AGRICULTURAL EXPORTS TO CANADA;

--U.S. WOULD EXPECT FULL COMPENSATION FOR ANY IMPAIRMENT OF ITS GATT RIGHTS. COMPENSATION WOULD BE EXPECTED IN AGRICULTURAL SECTOR;

--U.S. IS VERY CONCERNED OVER POTENTIAL IMPACT OF INTENDED GOC ACTION -- BOTH FOR BILATERAL AGRICULTURAL TRADE AND LIMITED OFFICIAL USE

FOR NEGOTIATIONS ON AGRICULTURE IN MTN;

--THEREFORE U.S. REQUESTS GOC TO EXCLUDE CERTAIN ITEMS FROM TARIFF INCREASES IN ORDER TO FACILITATE CONCLUDING SATISFACTORY GATT ARTICLE XXVIII NEGOTIATION.

3. MCPHAIL RESPONDED THAT:

--GOC RECOGNIZED IMPORTANCE OF TRADE INVOLVED BUT WAS COMPELLED TO UPDATE TARIFF PROTECTION THAT HAD BECOME ARCHAIC;

--GOC WAS FULLY PREPARED TO ACCEPT OBLIGATIONS UNDER ARTICLE XXVIII AND WAS PROCEEDING CAREFULLY WITHIN TERMS OF GATT;
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--CONTRARY TO U.S. VIEW, GOC BELIEVES THAT GENERAL RESTRUCTURING OF TARIFFS TO OCCUR AS RESULT OF MTN AFFORDS APPROPRIATE OPPORTUNITY TO ADDRESS FRUIT AND VEGETABLE ISSUE. GOC WAS ACTING AFTER CONSIDERING IMPLICATIONS FOR MTN, AND THERE WERE PRECEDENTS UNDER KENNEDY ROUND.

4. WE REMINDED MCPHAIL THAT ECONOMIC CLIMATE AND DISPOSITION TOWARD TARIFF REDUCTIONS WAS MUCH MORE FAVORABLE IN KENNEDY ROUND THAN NOW. THEREFORE REACTION TO TARIFF INCREASES IMPLEMENTED WHEN OBJECTIVE WAS LIBERALIZATION WAS MORE MUTED THAN LIKELY TO BE CASE NOW.

5. MCPHAIL READ AIDE MEMOIRE AND OBSERVED THAT EXCLUSIONS REQUESTED APPEARED TO REPRESENT SUBSTANTIAL PROPORTION OF AFFECTED TRADE. HE EXPRESSED APPRECIATION FOR RECEIVING U.S. VIEWS AND SAID THESE WOULD BE CIRCULATED TO APPROPRIATE GOC AGENCIES TO BE TAKEN INTO ACCOUNT PRIOR TO . OPENING OF ARTICLE XXVIII NEGOTIATIONS. MCPHAIL DID NOT SAY WHEN HE THOUGHT GOC WOULD BE READY FOR NEGOTIATIONS.

6. COMMENT. AS THINGS NOW STAND WE BELIEVE GOC IS NOT

LIKELY TO RESPOND TO REQUEST FOR EXCLUSIONS BEFORE
NEGOTIATIONS OPEN. FURTHER ACTION IS REQUIRED IF WE ARE
TO TRY TO AVOID NEGOTIATION IN WHICH SCOPE FOR COMPENSATION
WILL BE SO LIMITED AS TO MAKE SATISFACTORY OUTCOME UNLIKELY.

7. IN BRIEFINGS FOLLOWING HOME LEAVE, USDA OFFICIALS
INDICATED TO AGATT THAT EXCLUSION OF ONLY FIVE ITEMS
(POTATOES, CANNED PEACHES, FRUIT COCKTAIL, CANNED
TOMATOES AND TOMATO PASTE), RATHER THAN FOURTEEN LISTED
IN AIDE MEMOIRE, COULD -- TOGETHER WITH COMPENSATION --
BE BASIS FOR SATISFACTORY SETTLEMENT. IF WASHINGTON
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FM AMEMBASSY OTTAWA
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LIMITED OFFICIAL USE SECTION 02 OF 02 OTTAWA 02406

AGENCIES APPROVE, THIS POSITION SHOULD BE COMMUNICATED TO
INDUSTRY, TRADE AND COMMERCE MINISTER HORNER DURING CALL
AMBASSADOR INTENDS TO MAKE TO FOLLOW-UP ON FRUIT AND
VEGETABLE ISSUE. REQUEST INSTRUCTIONS SOONEST. ENDERS

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